

SPECIAL NOTICE LETTER
URGENT LEGAL MATTER
PROMPT REPLY NECESSARY
SENT VIA UPS OVERNIGHT

Chromalloy American Corporation
C/O Sequa Corp
707 E. Main Street, Suite 1450
Richmond, Virginia 23219

Brian L. Buniva
Senior Director Environmental Health & Safety and Senior Counsel
Sequa Corporation
300 Blaisdell Road
Orangeburg, New York 10962

Chromalloy American Corporation
C/O Sequa Corp
Three University Plaza
Hackensack, New Jersey 07601

Re: ~~Special Notice of Potential Liability and Draft Consent Decree~~
Delta Shipyard Superfund Site
Houma, Terrebonne Parish, Louisiana

Dear Sir/Madam:

This is to invite Chevron Mining, Inc. (CMI) to enter into negotiations with the U.S. Environmental Protection Agency (EPA) to settle its liability and to pay for or perform the cleanup of the Delta Shipyard Superfund Site (Site) near the Village of Questa, Taos County, New Mexico. The EPA determined a release of hazardous substances occurred at the Site and identified CMI as the current owner and operator of the facility. Based on the status of CMI as current owner and operator, CMI is a Potentially Responsible Party (PRP) under Section 107(a) of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA or Superfund), 42 U.S.C. § 9607(a) with respect to the Site.

The EPA issued CMI's predecessor, Molycorp, Inc., a Special Notice Letter for the Remedial Investigation and Feasibility Study (RI/FS) on November 6, 2000. In the letter, the EPA notified Molycorp, Inc., of its potential responsibility under Section 107(a) of CERCLA for the cleanup of the Site, including all past costs incurred by the EPA in responding to releases at the Site. The EPA signed an agreement on September 27, 2001, with Molycorp, Inc., to conduct the RI/FS. CMI submitted the final FS report on November 16, 2010, and the EPA and the State of New Mexico approved the report on November 24, 2011. The EPA is now contacting CMI to offer the company an opportunity to enter into negotiations to pay for or to perform the selected response and resolve CMI's liability for the Site.

Background

The Site is located near the Village of Questa in Taos County, New Mexico and consists of an operating underground molybdenum mine, milling facility, and tailing disposal impoundments owned and operated by CMI. Mining practices have resulted in the release or threatened release of hazardous substances, pollutants, or contaminants.

The mine and milling facility are located along New Mexico Route 38 (NM-38), east of the Village of Questa. The mine site includes a historic open pit and nine massive waste rock piles. Other contaminated areas of the Site include the Red River and its riparian corridor, Eagle Rock Lake, and a residential and agricultural area south of the tailing facility where past tailing disposal practices resulted in contamination of soil and ground water which has migrated beyond the mine site or tailing facility boundary. A tailings pipeline closely follows NM-38 and the Red River from the milling facility to the tailings facility.

The federal and state natural resource trustee agencies involved with the Site are the U.S. Department of Agriculture, the U.S. Department of Interior, and the State of New Mexico Office of the Natural Resources Trustee.

Opportunity to Negotiate

On behalf of the EPA, I am offering you this opportunity to enter into negotiations because the EPA believes CMI may be responsible for the cleanup of the Site under the Superfund Law. I have enclosed a "special notice" which explains that responsibility more completely (Enclosure 1). Please note that all exhibits to the special notice can be found on the enclosed CD-ROM (Enclosure 2). This notice also explains the purpose of the enclosed Draft Consent Decree. Consistent with sections 121(1) and 122(j) of CERCLA 42 U.S.C. §§9621(f), 9622(j), and EPA policy, the EPA is also inviting the State of New Mexico to participate as a party to these settlement negotiations.

Please have your legal counsel contact Mr. John Emerson, Assistant Regional Counsel, at (214) 665-3137 within ten days of receipt of this letter and let him know whether you plan to submit a good-faith offer to the EPA and will attempt to negotiate an agreement with the EPA on this matter.

The enclosed notice requires you to submit a written good-faith offer within 60 days of your receipt of this letter. The notice explains what the EPA means by a good-faith offer. Note that the notice includes a demand for payment; this allows the EPA to preserve certain legal rights. I urge you to read the enclosed notice carefully.

My staff will be available to meet with you during the third week of October 2011 to explain the Superfund program and special notice process and to respond to any questions you may have. It is expected that this meeting would include a visit to the Site. The EPA, New Mexico, and CMI may also continue the August 26, 2011, discussions of the proposed early actions. If you wish to meet, please contact Mr. Kevin Shade, Enforcement Officer, at (214) 665-2708 to make arrangements. If you have legal questions, please call Mr. Emerson at (214) 665-3137. If you have technical questions about the Record of Decision, please contact Mr. Mark Purcell, Remedial Project Manager, at (214) 665-6707. If you have any other questions regarding this letter, you may contact Mr. Shade.

My staff and I look forward to working with you during the coming months.

Sincerely yours,

Carl Edlund, P.E.
Director
Superfund Division

Enclosures (2)

cc: Mr. John H. Bemis
Cabinet Secretary-Designate
Energy, Minerals and Natural Resources Department

Mr. Nathaniel Douglas
U.S. Department of Justice

Mr. F. David Martin
Cabinet Secretary
New Mexico Environment Department

Ms. Mary Ann Menetrey
Program Manager
New Mexico Environment Department
Mining Environmental Compliance Section

Mr. Kirk Minckler
Office of General Counsel
U.S. Department of Agriculture

Ms. Rebecca de Neri Zagal
State of New Mexico
Office of Natural Resources Trustee

Mr. Holland Shepherd
Mining Act Reclamation Program Manager
New Mexico Energy, Minerals, and Natural
Resources Department, Mining and Minerals
Division

Mr. Stephen Spencer
Regional Environmental Officer
U.S. Department of the Interior

Mr. Michael J. Steinbrecher
Chevron Law Department

ENCLOSURE 1
SPECIAL NOTICE FOR
REMEDIAL DESIGN AND REMEDIAL ACTION
MOLYCORP, INC., SUPERFUND SITE
NEAR THE VILLAGE OF QUESTA, TAOS COUNTY, NEW MEXICO

This notice is from the U.S. Environmental Protection Agency (EPA) to Chevron Mining, Inc. (CMI). The use of “you” and “your” in this notice refers to CMI. This notice informs and requests the following six things:

1. You may be responsible for the cleanup of hazardous substances, including aluminum, arsenic, cadmium, fluorite, manganese, molybdenum, PCBs, sulfate, zinc and sulfuric acid, arsenic, and lead, at the Molycorp, Inc., Superfund Site (Site). This notice is issued under the Comprehensive Environmental Response, Compensation, and Liability Act, which is abbreviated as "CERCLA." CERCLA is also known as Superfund.
2. You are responsible for reimbursing the EPA for costs it has incurred at the Site.
3. The EPA has an Administrative Record (AR) you may review.
4. The EPA will use special notice procedures when it works with you. This means that, as part of these procedures, the EPA will not take certain types of actions at the Site for 60 days from the day you get this notice.
5. You are responsible for providing the EPA a good-faith offer within 60 days from the day you receive this notice.
6. The EPA has provided you contact information.

The following six sections provide additional detail.

I. NOTICE THAT YOU MAY BE LIABLE

CERCLA says that four types of persons are liable for cleaning up (or paying the EPA to clean up) hazardous substances that have been released. The four types of liable persons are:

1. Persons who now own the place where the hazardous substance was released;
2. Persons who once owned or operated the place where the hazardous substance was released during the time when the hazardous substance was disposed of;
3. Persons who arranged for disposal or treatment of hazardous substances at the place where the hazardous substance was released; or
4. Persons who selected the place where the hazardous substance was released as a disposal site and transported the hazardous substances to that place.

The EPA's term for these persons is Potentially Responsible Parties or PRPs.

You may want to read the section of the CERCLA law, which tells which persons are liable for the cost of cleaning up hazardous substances. CERCLA can be found in Sections 9601 through 9675 of Title 42 of the United States Code (U.S.C.). The definitions of terms used in CERCLA are found in section 9601, while the discussion of responsible parties can be found at Section 9607. Section 9607 is sometimes called Section 107, as it is enumerated in the act of Congress.

CERCLA also says that the EPA may order responsible persons to take response actions which the EPA believes are needed to protect human health, welfare, or the environment. For example, the EPA may issue an order (i.e. Unilateral Administrative Order) that requires a responsible person to conduct the Remedial Design and Remedial Action (RD/RA) in order to implement the remedial action selected by the EPA in its Record of Decision (ROD) for the Site. If a responsible person does not comply with an EPA order, the person may be fined up to \$32,500.00 per day. In addition, if a responsible person does not comply with an EPA order, that person may also be liable for three times the amount of money which the EPA spends on the cleanup.

The part of CERCLA which tells about orders which the EPA may issue can be found at Section 9606 of Title 42 of the United States Code. Section 9606 gives authority to the President, but the President has delegated that authority to the EPA. Section 9606 is sometimes referred to as Section 106, as it is enumerated in the act of Congress.

Based on an extensive review of records related to the release and/or disposal of hazardous substances at the Site, the EPA identified CMI as the PRP that owns and operates the Site and contributed hazardous substances to the Site. The basis for this determination is information provided to the EPA in CMI's 104(e) Information Request Response (Enclosure 2, Exhibit 1).

In accordance with the ROD, the Superfund Law, and the National Oil and Hazardous Substances Pollution Contingency Plan (NCP), CMI is responsible for the costs of cleaning up the Site. The EPA demands payment of all outstanding past response costs and intends to seek an agreement from CMI to pay all future response costs, including cost of oversight as a part of the anticipated settlement. The EPA has selected a cleanup approach for the Site, which is described in the ROD issued by the EPA on December 20, 2010. A copy of the ROD for the Site is included on Enclosure 2 as Exhibit 2 to this letter.

As the responsible EPA official with delegated authority, I have determined that the Site presents an imminent and substantial endangerment to public health, welfare, and the environment, and, therefore must be cleaned up. You will be required to conduct a RD/RA in accordance with the ROD, the Superfund Law, and the NCP, and to furnish all necessary personnel, materials, and services necessary for, and incidental to, the performance of the RD/RA. In carrying out your work, CMI will be guided by the Consent Decree and Statement of Work discussed in more detail below, as well as by appropriate EPA policy and guidance.

The EPA invites you to take stock of the evidence and to enter into negotiations toward a settlement which may be in your best interests. Settling with the EPA may protect you from other responsible

parties who may sue you to recover costs they incur in cleaning up the Site. In addition, as we said above, if you choose not to settle with the EPA and you are found to be a responsible party, the EPA may take civil administrative action against CMI.

II. DEMAND FOR REIMBURSEMENT OF COSTS

In accordance with Section 104 of CERCLA, 42 U.S.C. § 9604, the EPA has already taken certain response actions and incurred certain costs in response to conditions at the Site. You are responsible for reimbursing the United States Government for the response costs associated with these actions. These response actions include without limitations: drafting of the proposed plan; review of and response to comments concerning the proposed plan; and, drafting of the Record of Decision. These response activities also include associated administrative, finance, and enforcement activities and their costs. The EPA is seeking to recover from CMI its response costs and all the interest authorized to be recovered under Section 107(a) of CERCLA. To date, the approximate total response costs identified from November 25, 2009, through June 30, 2011, for the Site are \$2,512,756.47. Under Section 107(a) of CERCLA, the EPA hereby makes a demand for payment from you for the above amount plus all interest authorized to be recovered under Section 107(a). A summary of these costs can be found on Enclosure 2 as Exhibit 3. All response costs prior to November 25, 2009, will be addressed by billing established under the RI/FS AOC.

Some or all of the costs associated with this notice may be covered by current or past insurance policies issued to CMI or its predecessors. Most insurance policies will require that you timely notify your carrier(s) of a claim against you. To evaluate whether you should notify your insurance carrier(s) of this demand, you may wish to review current and past policies. Coverage depends on many factors, such as the language of the particular policy and state law.

In the event that you file for protection in a bankruptcy court, you must include the EPA as a creditor, because the EPA has a potential claim against you. The EPA reserves the right to file a proof of claim or application for Reimbursement of Administrative Expenses.

Please make your payment for \$2,512,756.47 by certified check made payable to "EPA Hazardous Substance Superfund," and reference CERCLA Site ID Number 06DL. Other methods of payment are available and information may be requested by contacting Mr. Kevin Shade, Enforcement Officer, at 214-665-2708. Send the certified check to:

U.S. Environmental Protection Agency
Superfund Payments
Cincinnati Finance Center
P.O. Box 979076
St. Louis, MO 63197-9000

Send a copy of the check to:

Section Chief, Enforcement Assessment Section (6SF-TE)
Superfund Division
U.S. Environmental Protection Agency
1445 Ross Avenue
Dallas, Texas 75202-2733

III. ADMINISTRATIVE RECORD

In accordance with Section 113 of CERCLA, 42 U.S.C. § 9613, the EPA has established an Administrative Record containing the documents that serve as the basis for the EPA's selection of the appropriate response action for the Site. You may wish to review the Administrative Record to assist you in responding to this letter, but your review should not delay such response beyond the 60-day period provided by CERCLA. This Administrative Record is located at:

Village of Questa
2500 Old State Road 3
P.O. Box 260,
Questa, NM 87556
(505) 586-0694

New Mexico Environment Department
1190 St. Francis Drive
P.O. Box 26110
Santa Fe, NM 87502
(505) 827-2340

U.S. Environmental Protection Agency – Region 6
1445 Ross Avenue, Suite 1200
Dallas, TX 75202
(214) 665-6427

IV. NEGOTIATION PERIOD

Under CERCLA, the EPA may use special notice procedures when these procedures would help reach an agreement with PRPs. The special notice procedures are described in Title 42 of the United States Code at Subsection 9622(e). The powers given to the President by CERCLA Subsection 9622(e) have been delegated to the EPA. Subsection 9622(e) is sometimes called Subsection 122(e), as it is enumerated in the act of Congress.

The EPA has decided that special notice procedures may help the EPA and CMI reach a settlement for this Site. As part of the special notice procedures, the EPA will not take certain types of actions at the Site for 60 days from the day you get this notice. During these 60 days, the EPA invites you to settle some of the EPA's claims. The EPA will extend this 60-day period for 60 more days if the EPA gets a good-faith offer from you within 60 days from the day you receive this notice. The items which you must put in a good-faith offer are described in Section V (GOOD-FAITH OFFER) of this letter.

If you and the EPA reach settlement within the 120-day negotiation period (it is a 120-day period because it includes the first 60-day period plus the 60-day period which the EPA may add if you submit a good-faith offer), the settlement will be written as a judicial consent decree. If approved, the Consent Decree would be signed and entered by a U.S. District Judge in United States District Court in conjunction with the simultaneous filing of a civil complaint.

To help negotiations get started, I have enclosed a draft Consent Decree on Enclosure 2 as Exhibit 4 that has been tailored by the EPA and the U.S. Department of Justice (DOJ) to apply specifically to the Site. I have also included a draft comprehensive RD/RA Statement of Work (SOW) on Enclosure 2 as Exhibit 5, which describes the work that needs to be done. The work includes the performance of an RD/RA to implement the Site remedy as set forth in the ROD, in accordance with the Superfund Law, the NCP, and EPA policy and guidance.

V. GOOD FAITH OFFER

The enclosed draft Consent Decree and draft SOW should help you make a good-faith offer to do the RD/RA for the Site. To accelerate the EPA's review of your good-faith offer, please send us any suggested revisions to the draft Consent Decree and draft SOW. You can revise the draft Consent Decree or draft SOW by marking through the parts which you want to omit, and by adding new text in a way which facilitates the EPA's recognition of the new text. If you use Microsoft Word, which is used by the EPA, or other similar word processing software for PC equipment, please send us a redline/strikeout version that incorporates any of your suggested modifications.

In order for your offer to be a good-faith offer, it must be in writing and it must include the following:

1. An unconditional statement that you are willing to do or pay for the RD/RA. Your statement must be in keeping with the EPA's draft Consent Decree and draft SOW. Your statement must be a good basis for more negotiations.
2. A paragraph-by-paragraph response to the EPA's draft Consent Decree and draft SOW (a redline/strikeout version of the draft Consent Decree and draft SOW will suffice). In addition, please identify which changes are major issues for you.
3. Proof that you (or the party you will hire to do the work) have the technical skills to do the RD/RA. If you will hire another party, please tell us whom, or tell us how you will pick that party.
4. A written statement that you are willing to pay the EPA for response costs previously paid at the Site and to pay the EPA in overseeing the conduct of the RD/RA.
5. Proof that you can pay for the RD/RA (an audited annual report may be acceptable).
6. A statement that you are willing to begin work on the RD/RA in keeping with the schedule set in the attached draft Consent Decree and draft SOW.

7. A general work plan, which describes how and when you will do the major parts of the RD/RA described in the draft Consent Decree and draft SOW.
8. The name, address, and phone number of the party who will represent you in negotiations, if you will use a representative.

To save time and expense, please use your first good-faith offer to make all the changes which you would like to see in the draft Consent Decree and draft SOW. The EPA may not make changes you ask for at a later date.

If we decide that a good-faith offer has not been submitted within 60 days from the day you get this letter, we may end the negotiation period and begin response or enforcement actions.

VI. WHERE TO SEND YOUR GOOD-FAITH OFFER AND WHO TO CALL AT EPA

Please call Mr. Emerson at the EPA within ten (10) business days of receipt of this correspondence and let him know whether you plan to submit a good-faith offer and will attempt to negotiate an agreement with the EPA for the Site. Please send your good-faith offer to Mr. Emerson at the address listed below. As discussed above, you have 60 days from your receipt of this notice to send the EPA a written good-faith offer.

If the EPA does not receive a good-faith offer from you within 60 days from your receipt of this notice, the EPA will assume that you do not wish to negotiate. The EPA may then take response or enforcement actions as explained above in section 1 of this notice. If the EPA does the RD/RA (or any other action for the Site) you may be liable for the EPA's costs plus interest, as well as any other sanctions or penalties that may apply.

You should send your response to this notice to:

John Emerson, Assistant Regional Counsel
Office of Regional Counsel (6RC-S)
U.S. Environmental Protection Agency Region 6
1445 Ross Avenue
Dallas, Texas 75202-2733
(214) 665-3137
FAX (214) 665-6460

The discussions of fact or law in this notice are meant to help you understand CERCLA and the EPA's actions at the Site. The discussions of fact and law are not final EPA positions on any matter discussed in this notice. If you or your attorney have legal questions about this notice, please contact Mr. Emerson. Questions concerning the technical aspects of the selected remedy from the ROD (Enclosure 2, Exhibit 2) should be directed to:

Mark Purcell
Remedial Project Manager
Superfund Division (6SF- RL)
U.S. Environmental Protection Agency Region 6
1445 Ross Avenue
Dallas, Texas 75202-2733
(214) 665-6707
FAX (214) 665-6660

If you have any other questions regarding this notice, you may contact Kevin Shade, Enforcement Officer, at (214) 665-2708. Thank you for your prompt attention to this important legal matter.